

United States Senate
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
Committee on Governmental Affairs
199 Russell Senate Office Building, Washington, D.C. 20510

Norm Coleman, Chairman
Carl Levin, Ranking Minority Member

Updated: 10/30/03

CURRENT INVESTIGATIONS

Synthetic Fuel Tax Credit

The Subcommittee has initiated an investigation of potential abuses of tax credits for producers of synthetic fuel under Section 29 of the Internal Revenue Code. The Subcommittee anticipates that this investigation will focus on whether certain synthetic fuel producers are claiming tax credits under Section 29, even though their product is not a qualified synthetic fuel under Section 29 and IRS regulations. In addition, the investigation will address whether certain corporations are engaging in transactions solely to take advantage of unused Section 29 credits, with no other business purpose. Lastly, the investigation will address the IRS's efforts to curb abuses related to the Section 29 tax credits.

Credit Counseling

The Subcommittee is conducting an investigation of the credit counseling industry. The industry has undergone both rapid growth and significant transformation during the past five years, including growing participation by firms claiming nonprofit status. A minority of companies has attracted a growing number of complaints about poor service, high fees, and misleading advertising. At the same time, changes in the credit markets, electronic payments systems, and emerging competitors have placed growing pressure on traditional nonprofits performing credit counseling. In addition to studying the most egregious cases of corporate misconduct and whether some companies are abusing their nonprofit status, the Subcommittee is studying whether problems in the broader industry require a federal response.

Music Piracy

The Subcommittee is currently investigating the music industry's use of the subpoena process delineated in the Digital Millennium Copyright Act and its initial salvo of copyright infringement lawsuits; what steps the music industry is taking besides litigation to preserve its intellectual property in this digital age; whether those steps unduly infringe upon consumers' privacy rights; how peer-to-peer networks plan to move from a business model predicated upon stealing copyrighted works to a business model based upon trading licensed music, movies and software; how the illegal trading of copyrighted works has hurt the music industry; and how to inform and educate a generation of children and young adults that trading copyrighted music on peer-to-peer networks is illegal.

DOD's Premium Class Travel

The Subcommittee is initiating an investigation of the Department of Defense's use of first and business class travel. Over the past three years, Congressional hearings and reports by the General Accounting Office and the Inspector General have demonstrated that there is continuing waste, fraud and abuse within the General Services Administration's SmartPay program. The passage of the Travel and Transportation Reform Act of 1998 brought with it the expectation that millions of dollars in federal travel costs would be saved. However, the continuing abuses are eroding those savings. Ensuring that premium class travel is only used when justified by DOD's regulations can ensure that expected savings are realized.

DOD Contractors' Tax Delinquencies

The Subcommittee is initiating an investigation to determine the extent to which DOD contractors have failed to pay federal taxes and whether there are adequate processes and procedures to identify these contractors and initiate collection efforts. The Subcommittee has learned that there are significant indications that thousands of contractors may owe billions of dollars in unpaid taxes and that there are significant obstacles that preclude the effective collection efforts. The Subcommittee will seek to determine the magnitude of the problem and identify the causes and appropriate remedies.

Imported Pharmaceuticals

Over the last few years several factors, including the advent of Internet pharmacies and the globalization of the pharmaceutical market have led to a dramatic surge in drug imports, especially personal imports, that has overwhelmed the FDA. It is estimated that 20 million packages containing pharmaceutical products are imported into the U.S. every year. This is an increase of over 1,000 percent in only 2 years.

According to the FDA, drugs procured outside the United States regulatory system can be dangerous for numerous reasons. FDA acknowledges that it cannot monitor nor guarantee the safety and effectiveness of drugs purchased outside the closed U.S. distribution system. FDA has warned the public that drugs purchased from foreign countries could be counterfeit, sub-potent or super-potent foreign imitations of FDA approved drugs, expired drugs, contaminated drugs or drugs stored under unsafe conditions.

The Subcommittee will investigate the extent to which consumers can purchase pharmaceuticals over the Internet without a medical prescription or medical diagnosis, what role FDA, the Bureau of Customs and Border Protection, and DEA play in preventing the illegal importation of scheduled pharmaceuticals or pharmaceuticals that violate the Food, Drug, and Cosmetics Act and whether the pharmaceuticals that are pouring into the United States from foreign sources are counterfeit, expired, unsafe or legitimate.

SARS

The Subcommittee has held three hearings on Severe Acute Respiratory Syndrome (SARS). The Subcommittee's investigation so far has covered the adequacy of the response to the initial outbreak by state and federal agencies, best practices for dealing with future SARS cases, and the preparations for renewed outbreaks in Minnesota. Going forward, the Subcommittee has requested that GAO conduct a study of national surveillance systems for emerging infectious diseases.

Border Security

The Subcommittee has undertaken an examination of the difficulty of maximizing border security while minimizing the impact on commerce and tourism. The Subcommittee held a field hearing in Minnesota in May 2003 which examined the coordination of Federal, State, and local efforts to supervise land, water, and air navigation. This investigation is ongoing.

Patient Safety

The Subcommittee held a hearing in June 2003 on the need to improve patient safety during hospital stays. There have been numerous stories about the incidence of disease and mistakes endangering the welfare of patients. Technological advances and better management procedures promise to reduce the possibility of mistakes and reduce the transmission of disease during hospital stays. The June 2003 hearing focused on some of the past problems as well as the solutions that are either being implemented or in development. This investigation is ongoing.

Enron

In 2002, the Subcommittee conducted an extensive, bipartisan investigation into the collapse of Enron Corporation. The Subcommittee reviewed over 2 million pages of documents, conducted over 100 interviews, held four hearings, and issued two bipartisan reports, one on the role played by the Enron Board of Directors and the other on the role played by U.S. financial institutions. The reports concluded that the Enron Board of Directors and some U.S. financial institutions contributed to Enron's accounting deceptions, corporate abuses, and ultimate collapse. The Subcommittee's investigative work contributed to passage of the Sarbanes-Oxley law which enacted accounting and corporate reforms in July 2002. The Subcommittee is continuing to monitor this matter, including implementation of reforms undertaken by corporations, accounting firms, financial institutions, and regulatory bodies to prevent future Enrons.

Tax Havens and Abusive Tax Schemes

In 2001, the Subcommittee initiated an investigation into issues related to offshore tax havens. In July 2001, a Subcommittee hearing was held to determine the U.S. position on an international effort to increase tax haven cooperation with international tax enforcement efforts. Due in part to evidence uncovered in the Enron investigation, the Subcommittee also began examining

abusive tax schemes being promoted by professional organizations like accounting firms, law firms, and financial institutions, or utilizing complex financial mechanisms or offshore arrangements. This investigation is ongoing.

Gasoline and Crude Oil Pricing

In 2001, the Subcommittee began an investigation into recent gasoline and crude oil price spikes. In April 2002, the Subcommittee issued a staff report and held hearings detailing how U.S. retail gasoline prices are set and identifying factors responsible for price spikes, including oil industry mergers, refinery closings, tight gasoline supplies, and regional pipeline limitations, all of which gave some refiners sufficient market power to reduce gasoline supplies and increase gasoline prices. In March 2003, the Subcommittee Minority staff issued a report examining the crude oil markets, which affect the price of not only gasoline, but also key commodities like home heating oil, jet fuel, and diesel fuel. The report found that the Department of Energy's 2002 program to fill the Strategic Petroleum Reserve increased crude oil prices and hurt U.S. consumers and taxpayers, without actually increasing overall U.S. oil supplies. It also found that crude oil prices are affected by trading not only on regulated futures exchanges, but also on unregulated over-the-counter markets, and recommends several reforms, including increasing disclosure and market oversight of over-the-counter energy trading to detect and deter price manipulation. This investigation is ongoing.

Money Laundering

From 1999 to 2001, the Subcommittee conducted an investigation into money laundering vulnerabilities in the U.S. financial services sector including private banking, correspondent banking, and the securities industry. Two Minority staff reports were issued, and Subcommittee hearings were held in November 1999 and March 2001. Several GAO reports on money laundering issues related to private banking, the securities industry, credit card industry, and U.S. corporations formed for Russian entities were also issued at the Subcommittee's request. The Subcommittee's investigative work provided the basis for many of the anti-money laundering provisions in Title III of the USA Patriot Act of 2001. The Subcommittee's Minority staff is currently investigating money laundering allegations which will help evaluate compliance with the Patriot Act anti-money laundering reforms, allegations of foreign corrupt funds being deposited into U.S. bank accounts, and alleged violations of the Foreign Corrupt Practices Act.

